

NetEase

1Q24 Investor Presentation

Investor Relations
May 23, 2024

SAFE HARBOR STATEMENT

This announcement contains statements of a forward-looking nature. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar expressions. In addition, statements that are not historical facts, including statements about NetEase’s strategies and business plans, its expectations regarding the growth of its business and its revenue and the quotations from management in this announcement are or contain forward-looking statements. NetEase may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in announcements made on the website of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks related to: the risk that the online games market will not continue to grow or that NetEase will not be able to maintain its position in that market in China or globally; risks associated with NetEase’s business and operating strategies and its ability to implement such strategies; NetEase’s ability to develop and manage its operations and business; competition for, among other things, capital, technology and skilled personnel; potential changes in government regulation that could adversely affect the industry and geographical markets in which NetEase operates; the risk that NetEase may not be able to continuously develop new and creative online services or that NetEase will not be able to set, or follow in a timely manner, trends in the market; risks related to economic uncertainty and capital market disruption; risks related to the expansion of NetEase’s businesses and operations internationally; risks associated with cybersecurity threats or incidents; and the risk that fluctuations in the value of the Renminbi with respect to other currencies could adversely affect NetEase’s business and financial results. Further information regarding these and other risks is included in NetEase’s filings with the SEC and announcements on the website of the Hong Kong Stock Exchange. NetEase does not undertake any obligation to update this forward-looking information, except as required under applicable law.



NetEase, Inc.

NetEase, Inc. (NASDAQ: NTES and HKEX: 9999, "NetEase") is a leading internet and game services provider centered around premium content. With extensive offerings across its expanding gaming ecosystem, the Company develops and operates some of the most popular and longest running mobile and PC games available in China and globally.

Powered by one of the largest in-house game R&D teams focused on mobile, PC and console, NetEase creates superior gaming experiences, inspires players, and passionately delivers value for its thriving community worldwide. By infusing play with culture, and education with technology, NetEase transforms gaming into a meaningful vehicle to build a more entertaining and enlightened world.

Beyond games, NetEase service offerings include its majority-controlled subsidiaries Youdao (NYSE: DAO), an intelligent learning company with industry-leading technology, and Cloud Music (HKEX: 9899), a well-known online music platform featuring a vibrant content community, as well as Yanxuan, NetEase's private label consumer lifestyle brand. For more information, please visit: <http://ir.netease.com/>.

MARKET SNAPSHOT

In USD

\$63.4
billion

Market Cap ¹
(05/22/24)

3.2
billion

Shares Outstanding,
Diluted (1Q24)

\$1.65

Basic Net Income per ADS
(GAAP) (1Q24)

\$3.7
billion

Net Revenues
(1Q24)

\$1.1
billion

Net income attributable to the
Company's shareholders (GAAP)
(1Q24)

\$15.7
billion

Net cash ²
(03/31/24)

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MSCI ESG Rating ³

Notes:

¹ Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$495.3 billion based on the closing price on the Hong Kong Stock Exchange

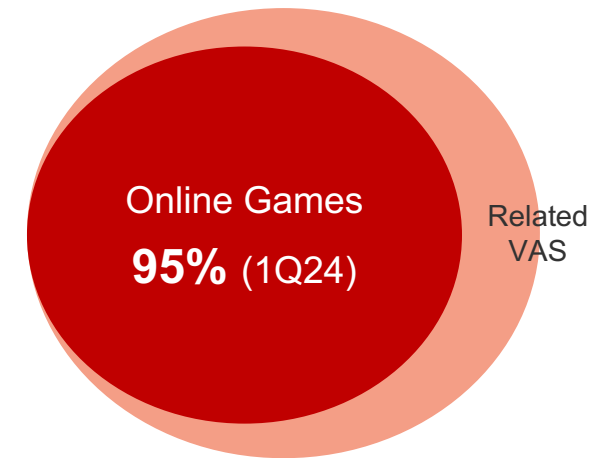
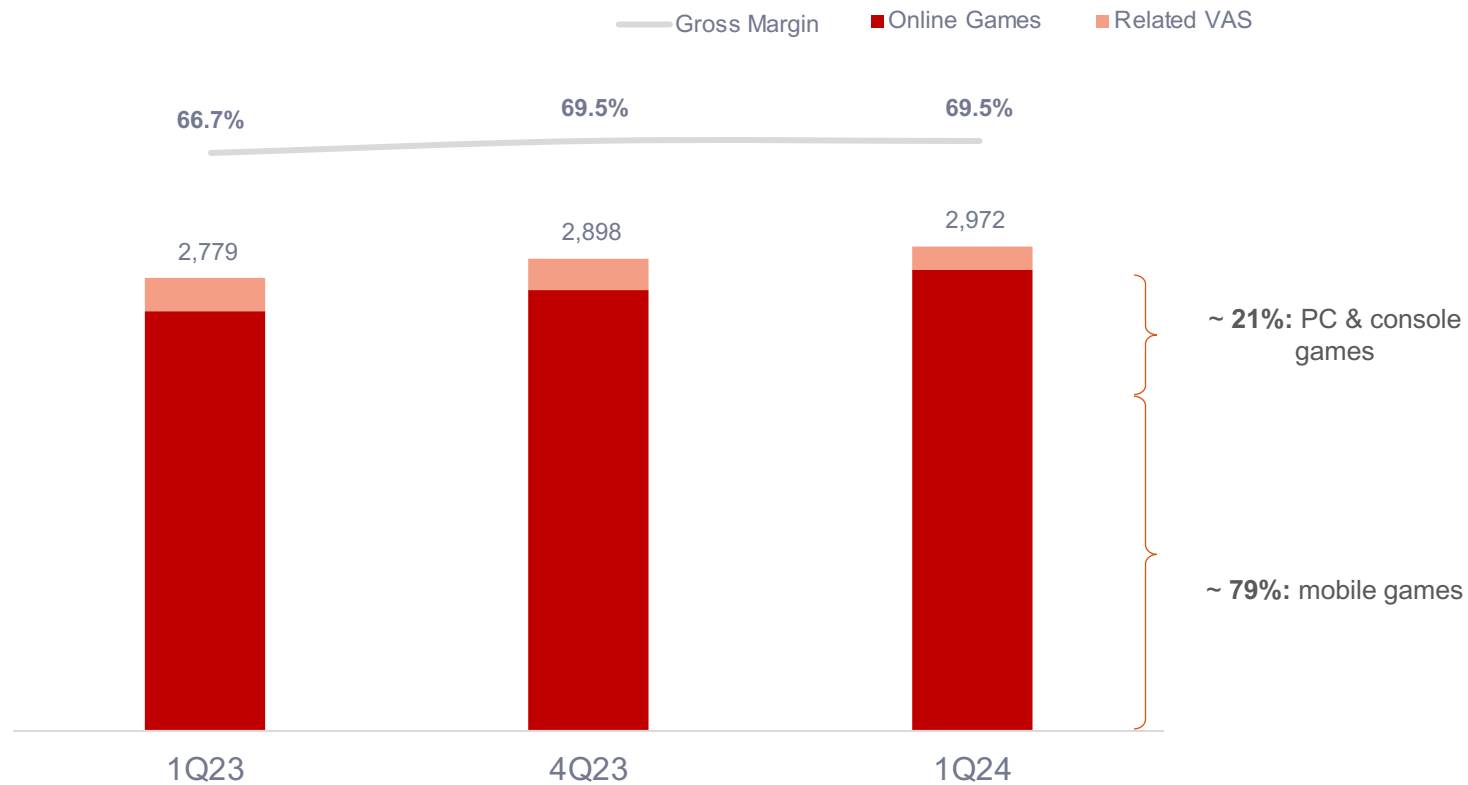
² Net cash refers to total cash and cash equivalents, current and non-current time deposits and restricted cash, as well as short-term investments balance, minus short-term and long-term loans

³ The result is based on the latest update in December 2023

GAMES AND RELATED VALUE-ADDED SERVICES

USD million¹

Games and Related Value-added Services Net Revenues and Gross Margin



Note:
¹ US\$1.00 = RMB7.2203 on Mar 29, 2024. Same exchange rate is applied to all years for illustrative purposes

ONLINE GAMES

PC & CONSOLE GAMES

Flagship Self-Developed PC & Console Titles



MOBILE GAMES

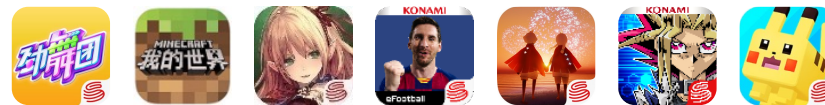
Self-Developed Mobile Games



Mobile Games in Overseas Markets



Licensed Mobile Games From Overseas Developers

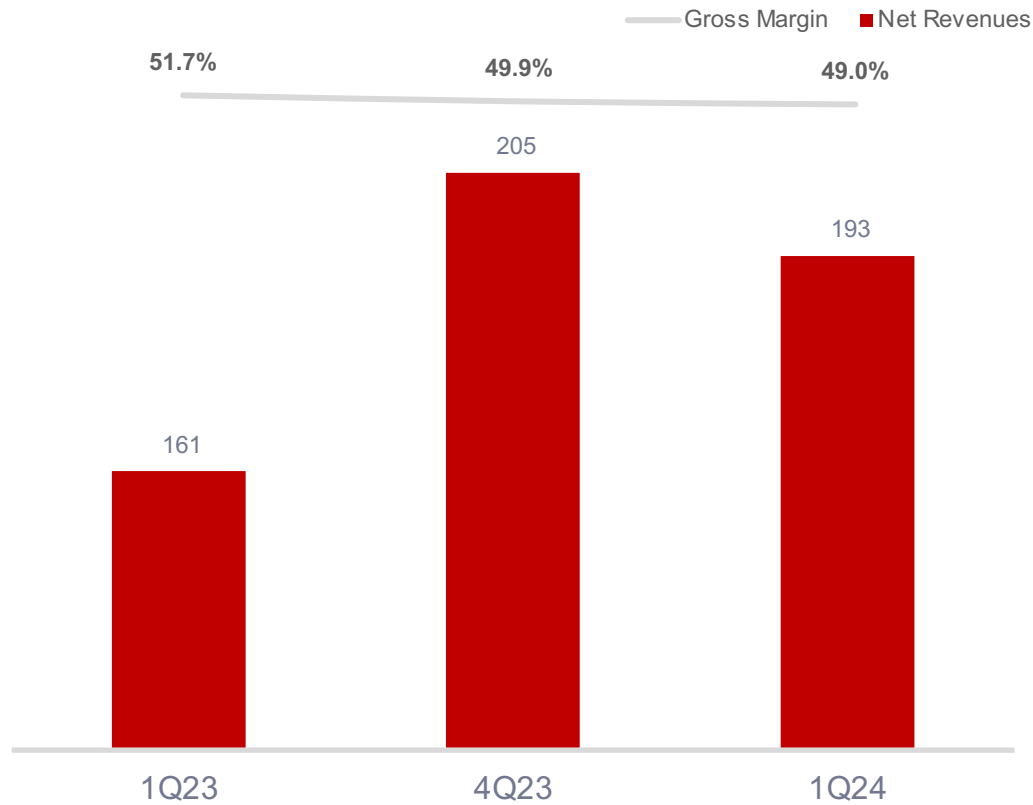


- Established game franchises continued overall high level of popularity with their loyal user bases, demonstrating ongoing sustainability. **Fantasy Westward Journey** mobile achieved another record-high quarterly revenue, nine years after its launch.
- Hit games, including **Eggy Party**, **Identity V** and **Infinite Borders**, continued to generate player community enthusiasm. **Identity V** achieved a strong performance in the first quarter with continued momentum during its sixth anniversary celebration event with record-high DAUs in May.
- Expanded recent hit title launches, like **Dunk City Dynasty**, in more regions, bolstering our appeal in broader areas. Meanwhile, **Racing Master** maintained superb performances in Hong Kong, Macau and Taiwan.
- New titles achieved exciting performances, **Shi Jie Zhi Wai** topped China's iOS download chart soon after its launch and ranked No. 3 on China's iOS grossing chart after releasing new content updates.
- Strengthened robust pipeline with highly anticipated games, such as **Where Winds Meet**, **Naraka: Bladepoint** mobile, **Once Human**, **Marvel Rivals**, etc.

YOU DAO

USD million¹

Youdao Net Revenues and Gross Margin



- Youdao strategically prioritized digital content services, online marketing services, and AI-driven subscription services, achieving healthy growth and first-ever consecutive quarter of positive net income.
- Digital content services experienced strong year-over-year net revenue growth
- Online marketing services continued on its robust growth track
- Investment and dedication to AI technology brought rapid sales growth derived from our AI-driven subscription services across a range of applications
- Remained confident in the medium-to long-term outlook for smart devices segment

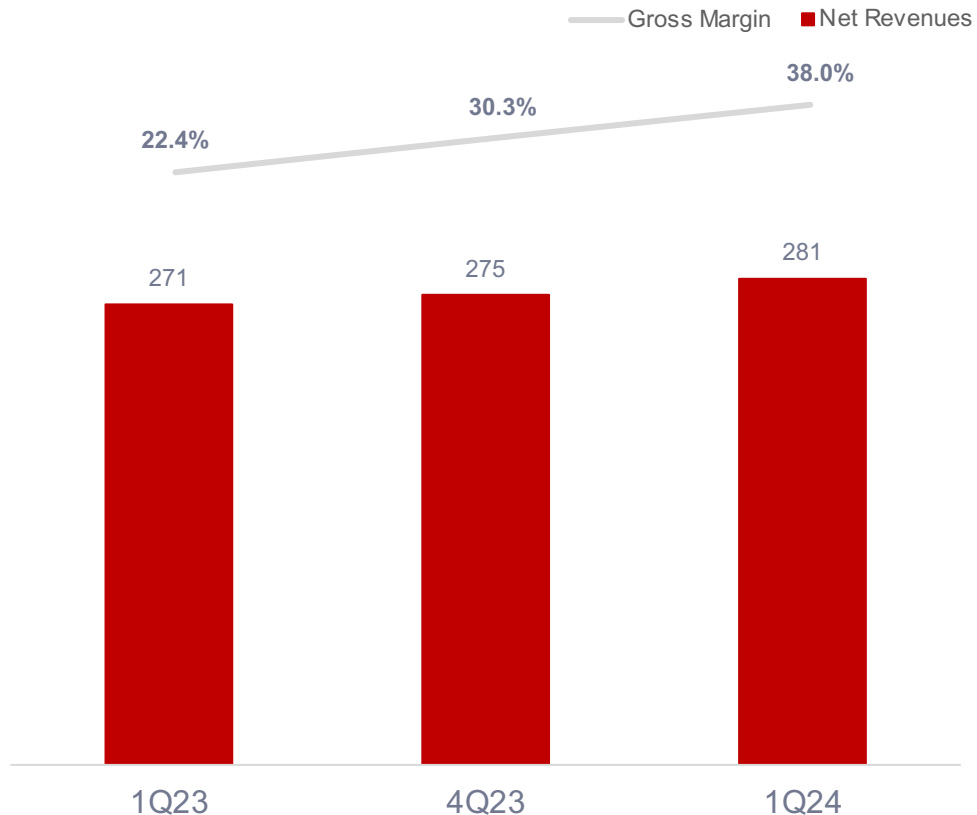
Note:

¹ US\$1.00 = RMB7.2203 on Mar 29, 2024. Same exchange rate is applied to all years for illustrative purposes

CLOUD MUSIC

USD million¹

Cloud Music Net Revenues and Gross Margin



Note:

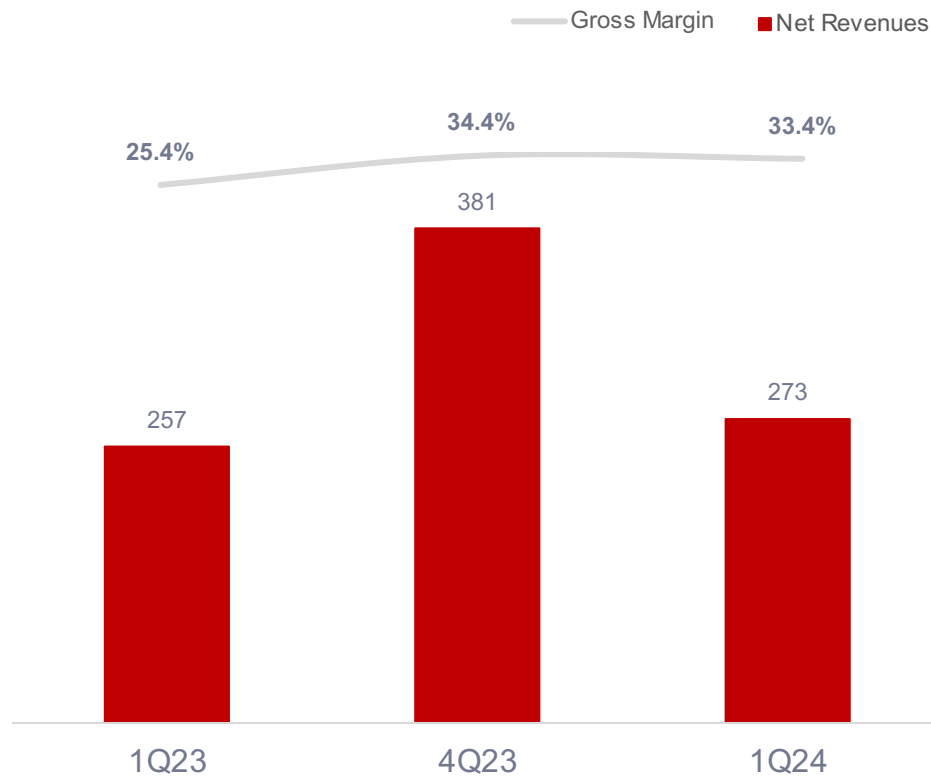
¹ US\$1.00 = RMB7.2203 on Mar 29, 2024. Same exchange rate is applied to all years for illustrative purposes

- Cloud Music remained steadfast in prioritizing the core music business
- Revenue growth from subscription-based memberships accelerated in the first quarter compared to the annual growth rate last year, supported by an expanding subscriber base with a two-year high quarterly net adds
- Enriched our music library through both licensed music and original music. Our self- and co-produced songs were featured at various high-profile TV performance shows and galas
- Continued to explore and advance our music-oriented monetization initiatives

INNOVATIVE BUSINESSES AND OTHERS

USD million¹

Innovative Businesses and Others Net Revenues and Gross Margin



Note:

¹ US\$1.00 = RMB7.2203 on Mar 29, 2024. Same exchange rate is applied to all years for illustrative purposes



NetEase Yanxuan

- Leading private-label consumer lifestyle brand in China
- Continued to strengthen its brand presence with highly popular products in focused categories
- Various product categories, such as pet products, household cleaning products and office furniture, achieved strong sales growth, securing leading positions in sales on several e-commerce platforms.



Wangyi Xinwen

- www.163.com portal and related mobile app, Wangyi Xinwen: deliver quality information such as news, sports events, technology, fashion trends and online entertainment to our users



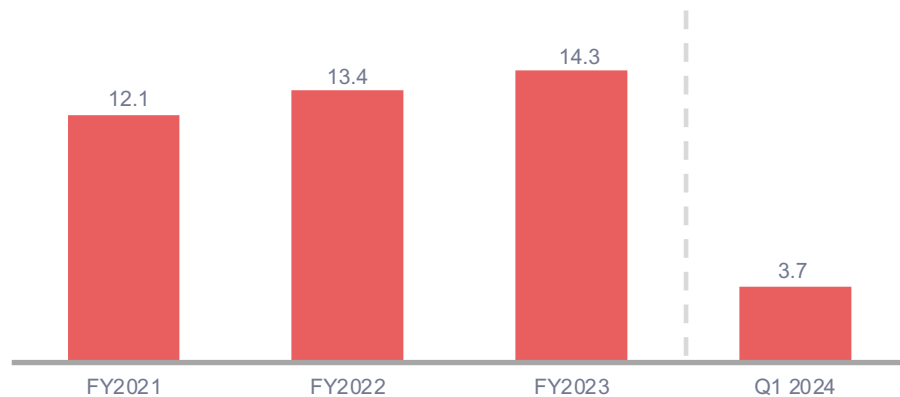
E-mail Services

- China's leading e-mail service provider since 1997

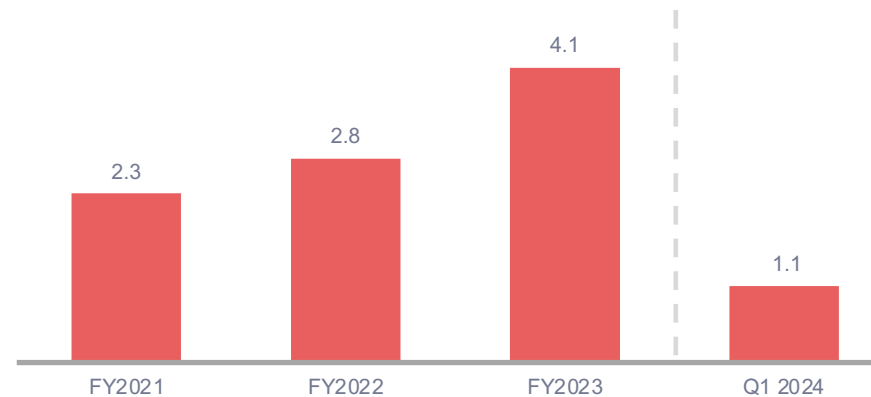
FINANCIAL HIGHLIGHTS

USD billion¹

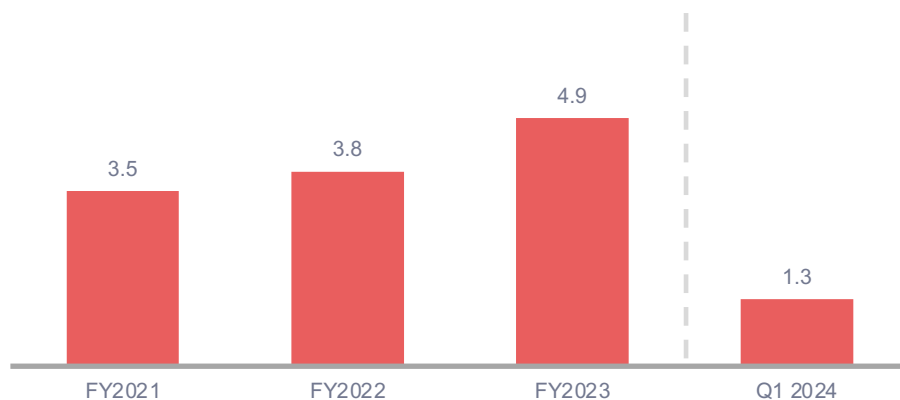
Net Revenues



Net Income Attributable to Shareholders (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US\$	FY2021	FY2022	FY2023	Q1 2024
Dividend per ADS (declared)	\$1.17000	\$1.38700	\$2.56485	\$0.49500
Total Dividends (declared) ²	\$777 m	\$906 m	\$1,649 m	\$318 m
Share Buyback	\$1,974 m	\$1,187 m	\$687 m	\$167 m

Notes:

1 US\$1.00 = RMB7.2203 on Mar 29, 2024. Same exchange rate is applied to all years for illustrative purposes

2 Total dividends (declared) equals to dividend per ADS (declared) multiplied by each quarter's corresponding weighted average number of ADS outstanding, basic

ESG PERFORMANCE

MSCI Ratings



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Last Update: October 2023

NetEase is average among 68 companies in the Media & Entertainment industry

DJSI (Dow Jones Sustainability Index) Ratings



47

Last Updated: October 2023

NetEase has been selected as a member of the 2022 Dow Jones Sustainability World Index and Dow Jones Sustainability Emerging Markets Index for the first time

Sustainalytics Ratings



17.8

Last Updated: April 2023

NetEase is rated as a low-risk company

NetEase has been included in Sustainalytics' latest list of top ESG rated badges for 2023

BALANCE SHEET SUMMARY

	2023		2024	
in millions	Dec 31, RMB	Mar 31, RMB (Unaudited)	Mar 31, USD (Unaudited)	
ASSETS				
Current assets:				
Cash and cash equivalents	21,429	43,027	5,959	
Time deposits	100,856	89,474	12,392	
Other current assets	20,408	19,291	2,672	
Total current assets	142,693	151,792	21,023	
Property, equipment and software, net	8,075	8,057	1,116	
Other non-current assets	35,157	35,216	4,877	
Total assets	185,925	195,065	27,016	
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY				
Current liabilities:				
Contract liabilities	13,362	14,911	2,065	
Other current liabilities	40,480	45,138	6,252	
Total current liabilities	53,842	60,049	8,317	
Total liabilities	57,841	64,426	8,923	
Redeemable noncontrolling interests	116	118	16	
Total equity	127,968	130,521	18,077	
Total liabilities, redeemable noncontrolling interests and shareholders' equity	185,925	195,065	27,016	

INCOME STATEMENT SUMMARY

	1Q23	4Q23	1Q24	1Q24	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
			(Unaudited)	(Unaudited)		
Total net revenues:	25,046	27,140	26,852	3,719	-1.1%	7.2%
<i>Games and related value-added services</i>	20,066	20,921	21,460	2,972	2.6%	6.9%
<i>Youdao</i>	1,163	1,481	1,392	193	-6.0%	19.7%
<i>Cloud Music</i>	1,960	1,986	2,030	281	2.2%	3.6%
<i>Innovative businesses and others</i>	1,857	2,752	1,970	273	-28.4%	6.1%
Gross profit	14,897	16,825	17,016	2,357	1.1%	14.2%
Gross profit margin	59.5%	62.0%	63.4%	63.4%		
Operating profit	7,220	6,868	7,622	1,056	11.0%	5.6%
Operating profit margin	28.8%	25.3%	28.4%	28.4%		
Net income attributable to the Company's shareholders	6,755	6,582	7,634	1,057	16.0%	13.0%
Diluted net income per ADS	¥10.37	¥10.12	¥11.75	\$1.63	16.1%	13.3%

Note:
All percentages are calculated based on numbers in millions except per ADS data

THANK YOU

網易 NETEASE